

# Highway widening jobs allow PLUS to improve

▶ PLUS EXPRESSWAYS BHD				
	2009	2010F	2011F	2012F
<b>NET PROFIT</b> (RM mil)	1,186.4	1,251.3	1,725.3	1,839.9
<b>EPS</b> (sen)	23.7	25.0	34.5	36.8
<b>P/E</b> (x)	14.3	13.5	9.8	9.2
<b>DIV YIELD</b> (%)	4.9	5.5	7.1	7.6

- ▶ **Recommendation: Buy**  
**Target Price: RM3.98**  
 By ECMLibra Investment Research (July 7)

PLUS Expressways Bhd announced yesterday it has received notification from the Ministry of Works that the government has agreed for the company to undertake the construction of the fourth lane along certain stretches of the North-South Expressway.

The construction costs are estimated to be RM1.14 billion and will include stretches such as Shah Alam to Rawang, Shah Alam to Jalan-Duta and a section from Nilai (North) to Seremban.

We believe that the fourth

lane widening works may be significantly funded by the government and we do not discount the possibility that a similar arrangement may be reached as PLUS currently has about RM1.6 billion in government loans.

Should this scenario unfold, interest payable on the debt will reduce EPS by about 1% over FY2010 to FY2012. This is based on the assumption that the finance cost is charged at its current implied interest rate of 6.5%, and debt is taken up evenly across the expected construction period of three years.

In the long run, the widening works allow PLUS to improve their level of service and may

leave some room for traffic growth, although we believe this will be gradual and mild.

## Maintain 'Buy'

We maintain our 'Buy' call with an unchanged target price of RM3.98 based on the dividend discount model (cost of equity of 6.2%, long-term growth rate of 1.5%) pending more details on the funding structure of the fourth lane widening works.

We expect PLUS to achieve a 75% dividend payout ratio in FY2010, in line with their headline KPIs. We like PLUS for its attractive dividend yields, 37.9% earnings growth in FY2011 and potential growth via acquisitions.